

European Community



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BACKGROUND NOTE

EC CUSTOMS UNION TO BE COMPLETED ON JULY 1

The customs union of the six founding countries of the European Community (Belgium, France, Germany, Italy, Luxembourg, the Netherlands) will be fully extended to the three newer member states (Britain, Denmark, Ireland) on July 1, 1977. This means that customs duties will no longer be charged on goods traded within the Community of the Nine. The Accession Treaty provided for the abolition of tariffs between the "Six" and the "Three", and among the "Three", in five steps during 1973-77. Customs officials working at the border posts themselves will, however, remain. They will continue to regulate indirect taxes (value-added tax, for example) on imports, to collect trade statistics (to help determine economic policy), to inspect imports of perishable goods (for health, veterinary and phytosanitary reasons), to enforce foreign currency regulations, and to watch out for art thieves and drug traffickers.

In a customs union two or more countries agree to eliminate customs duties, and to adopt a common tariff for goods imported from the rest of the world, at any point in the customs union area. A free trade area, by contrast, abolishes customs duties between its members, but leaves each country free to set its own customs tariff on goods from outside countries.

Non-tariff barriers

The Community's experience has shown that the abolition of customs duties alone has not enabled goods produced in Turin or Manchester, for example, to be sold freely in Lyons or Delft. As customs barriers were eliminated, other obstacles became more evident, among them varying fiscal and monetary policies, company laws and systems of export promotion, grants and subsidies. As a result, common industrial and economic policies have become necessary.

Common external tariff

On goods from the rest of the world, the Community applies a single, uniform external customs tariff. Only the Community has the right to negotiate tariff changes. At international trade negotiations, member states are represented by the European Community.

In the framework of its development aid policy, the EC allows some manufactured goods from developing countries to be imported duty-free, and grants tariff concessions on some of their farm goods.

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Results of the customs union

Opening up the EC's internal frontiers has stimulated EC firms, especially those in member states with a long tradition of protectionism and a certain timidity towards exporting. Industries have had to modernize their production and management techniques and expand their markets. Competition had a good effect on them. Open frontiers has widened the choice of goods offered to consumers and helped hold down prices, particularly of household electrical goods.

Intra-Community trade has increased considerably. Between 1958 and 1971, trade between the six founder members of the Common Market rose seven-fold, while trade with the rest of the world increased three-fold.

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